

**CHARTER TOWNSHIP OF CALUMET, MICHIGAN
HOUGHTON COUNTY**

FINANCIAL REPORT
Year ended December 31, 2007

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended.

Unit Name	CHARTER TOWNSHIP OF CALUMET	County	HOUGHTON	Type	TOWNSHIP	MuniCode	31-1-020
Opinion Date-Use Calendar	Jul 11, 2008	Audit Submitted-Use Calendar	Jul 11, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 748,014.00
General Fund Expenditure:	\$ 635,516.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 153,080.00
Governmental Activities Long-Term Debt (see instructions):	\$ 607,867.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	PAUL	Last Name	STUROS	Ten Digit License Number	1101022268		
CPA Street Address	56901 S SIXTH ST, STE 8	City	CALUMET	State	MI	Zip Code	49913
CPA Firm Name	PAUL R STUROS, CPA	Unit's Street Address	25880 RED JACKET RD	City	CALUMET	LU Zip	49913

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INDEPENDENT AUDITOR'S REPORT

Board Members
Charter Township of Calumet, Michigan

I have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Calumet, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and standards prescribed by the state treasurer. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Calumet, Michigan, as of December 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 11, 2008 on my consideration of the Township's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 10, 29 and 30, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Calumet, Michigan's, basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Paul R. Sturos, CPA
Calumet, Michigan
July 11, 2008

CHARTER TOWNSHIP OF CALUMET

25880 Red Jacket Road

Calumet, MI 49913

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Charter Township of Calumet's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the Township's financial statements that follow.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board Statement No. 34 (GASB 34). GASB 34 implements a model of financial reporting for state and local governments designed to enhance the usefulness of the Township's annual report.

Report Components

This annual report consists of five parts as follows:

Government-wide Financial Statements: The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township government-wide (or "as a whole") and present a longer-term view of the Township's finances.

Fund Financial Statements: Fund financial statements focus on the individual parts of the Township government. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities* (when applicable), these statements offer short-term and long-term financial information about the activities the Township operates like businesses. For *fiduciary activities* these statements account for assets held by the Township as an agent or trustee for others.

Notes to Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: This Management Discussion and Analysis and the Budgetary Comparison Schedules represent financial information required to be presented by the GASB. Such information provides users with additional data that supplements the "basic financial statements" which include the government-wide statements, fund financial statements, and notes to the financial statements.

Other Supplementary Information: This part of the annual report includes optional financial information such as combining statements for non-major funds, which are added together and shown in the fund financial statements in a single column and a federal program section. This other supplemental financial information is provided to address certain specific needs of various users of the Township's annual report.

THE TOWNSHIP AS A WHOLE

The Township's Reporting Entity Presentation

This annual report includes all activities for which the Township is fiscally responsible. These activities, defined as the Township's reporting entity, are operated within separate legal entities that make up the primary government and another separate legal entity that is included as a component unit.

The primary government includes the following legal entity:

- The Charter Township of Calumet

The component unit presentation includes the following legal entity:

- The Charter Township of Calumet Downtown Development Authority

Government -Wide Financial Information

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities. These statements include all of the Township's assets and liabilities resulting from the use of the accrual basis of accounting.

The Statement of Net Assets and the Statement of Activities is divided into two kinds of activities:

Governmental activities – Most of the Township's basic services are reported here, including the police, fire, general administration, public works and recreation. Property taxes, state statutory aid and state and federal grants finance most of these activities.

Component unit activities – Although the Downtown Development Authority is a separate legal entity, the Township includes its activities in its financial statements since the Township is financially accountable for the Authority.

In a condensed format, the table below provides a summary of the Township's *net assets* (in thousands of dollars) as of December 31, 2007 and 2006.

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Current assets	\$ 889.7	\$ 453.7
Noncurrent assets	<u>4,340.8</u>	<u>4,422.0</u>
Total Assets	<u>5,230.5</u>	<u>4,875.7</u>
Current liabilities	298.4	143.9
Other liabilities	<u>506.9</u>	<u>494.8</u>
Total Liabilities	<u>805.3</u>	<u>638.7</u>
Net Assets		
Invested in capital assets-net of debt	4,022.9	4,144.3
Restricted	18.3	9.3
Unrestricted(Deficit)	<u>384.0</u>	<u>83.4</u>
Total Net Assets	<u>\$ 4,425.2</u>	<u>\$ 4,237.0</u>

The current level of unrestricted net assets (the part of net assets that can be used to finance day to day operations) for the governmental activities stands at \$383,989, which is in excess of the targeted minimum range for unrestricted net assets of approximately 10% of applicable annual expenses.

The results of operations for the Township as a whole are reported in the *statement of activities*. Comparative data is accumulated and presented to assist analysis. The following shows the change in the net assets (in thousands of dollars) for 2007 and 2006:

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Program Revenues		
Charges for services	\$ 175.4	\$ 165.1
Operating grants and contributions	131.6	55.9
Capital grants and contributions	439.5	279.4
General Revenues		
Property taxes	306.8	222.0
State-shared revenues	265.6	268.6
Unrestricted investment earnings	10.2	5.9
Miscellaneous		5.4
Loss on sale of assets	(91.9)	(29.7)
Transfers	<u>4.2</u>	<u>(3.1)</u>
Total Revenues	<u>1,241.4</u>	<u>969.5</u>

Program Expenses		
Legislative	24.0	22.9
General Government	234.8	179.1
Public Safety	119.1	119.7
Public Works	130.9	129.8
Recreation	55.2	63.4
Community/Historical	370.4	154.1
Other	97.6	100.2
Interest on long-term debt	<u>29.3</u>	<u>31.8</u>
Total Expenses	<u>1,061.3</u>	<u>801.0</u>
Changes in Net Assets	<u>\$ 180.1</u>	<u>\$ 168.5</u>

During the current year the Township's governmental activities realized additional revenues in the area of property taxes of \$84,767 while also realizing a net capital grant increase of approximately \$160,094.

The discretely presented component unit consists of the Downtown Development Authority (DDA) Fund which recaptures property taxes within the Authority's District. Most of the recaptured taxes collected go towards paying the debt service costs related to previous DDA projects.

THE TOWNSHIP'S FUNDS

The Township's major funds are presented separately, following the entity-wide financial statement presentations. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The General Fund along with the Community Center Fund, Grants Fund and Housing Grants Fund are the Township's major funds for 2007.

The General Fund pays for most of the Township's governmental services. During 2007, the most significant General Fund expenditures were for general government activities and capital outlay which incurred expenditures of \$131,272 and \$165,374, respectively. The "Calumet Armory" Community Center Fund collects property taxes to operate, maintain and repair the Community Center. The Grants and Housing Grants Funds are set up to manage Federal, State and Private grants to finance capital projects.

Budgetary Highlights

Over the course of the year, the Township Board amended each of its major fund budgets to take into account events during the year. The most significant changes in the General Fund were an increase of \$406,101 to other revenue for the sale and donation of property, an increase of \$277,000 to capital outlay for the acquisition of property, an increase of \$87,222 to other expense for various expenses and an increase of \$28,150 to transfers to other funds. With the exceptions noted above, the Township did not significantly change originally budgeted General Fund revenue and expenditure amounts. Actual General Fund revenue and expenditures stayed within budgeted amounts except for certain items; actual other revenue was \$121,425 less than the amended budget due to sales that took

place in 2008 instead of 2007, actual capital outlay was \$122,076 less, actual other expenses were \$92,357 less, and actual transfers to other funds were \$17,139 more than the amended budgeted amounts. No significant changes were made to the budget of the Community Center Fund and revenues and expenditures stayed mostly within budged amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the Township had \$5.5 million invested in a broad range of capital assets, including land, buildings, mining and other equipment and vehicles. The Township's more significant additions included \$128,000 for land that was received as a donation from the NHCW&SA. The table below provides a summary of the Township's capital assets net of accumulated depreciation (in thousands of dollars) as of December 31, 2007 and 2006.

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Non-Depreciable Assets:		
Land	\$ 1,429.7	\$ 1,254.1
Depreciable Assets:		
Land improvements	258.7	197.9
Buildings	1,845.0	1,875.4
Furniture, equipment, and vehicles	<u>797.5</u>	<u>1,083.4</u>
Total	<u>\$ 4,330.9</u>	<u>\$ 4,410.8</u>

Long-term Debt

At year end, the Township had \$727,867 in long-term debt outstanding, including component unit debt of \$120,000. Primary government balances as of December 31, 2007 and 2006 are as follows:

	<u>Primary Government Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Notes/loans payable	\$ 53,867	\$ 72,049
Bonds payable	<u>554,000</u>	<u>528,500</u>
	<u>\$ 607,867</u>	<u>\$ 600,549</u>

FACTORS AFFECTING FUTURE OPERATIONS

For the year 2008, the various governmental and component unit funds have been budgeted fairly consistent with this year.

A storm sewer rehabilitation project begun during 2007 is expected to be completed by December 31, 2008. Funding for the project, totaling \$776,000, is expected to come from a \$336,000 community development block grant and the issuance of general obligation limited tax bonds for the balance. Estimated costs of \$703,000 are expected to be incurred in 2008.

In 2008, the Township sold property at the Centennial No.6 Mine location for \$149,000.

Ice arena improvements under contract at the Community Center for work to be completed during 2008 include the purchase and installation of a dehumidifier for an estimated total cost of \$40,000 and the repainting of exposed steel beams for approximately \$16,000. The local hockey association is expected to share in one-half of the above costs.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Township office.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

Statement of Net Assets December 31, 2007

	<u>Primary Government</u>	
	Governmental Activities	Component Unit
ASSETS		
Cash	\$ 421,448	\$ 40,969
Receivables, net	336,939	19,444
Receivables from other governments	118,675	
Prepaid costs	12,600	
Bond issue related costs, net	9,941	
Capital assets, net	<u>4,330,869</u>	
 Total Assets	 <u>5,230,472</u>	 <u>60,413</u>
LIABILITIES		
Accounts payable	85,951	468
Accrued expenses/deposits payable	55,111	1,756
Due to other governments	24,267	570
Deferred revenues	62,146	
Noncurrent liabilities		
Due within one year	70,868	26,000
Due in more than one year	<u>506,917</u>	<u>94,000</u>
 Total Liabilities	 <u>805,260</u>	 <u>122,794</u>
NET ASSETS		
Invested in capital assets, net of related debt	4,022,874	
Restricted for capital projects	763	
Restricted for debt service	6,475	3,617
Restricted for comm./hist. projects	11,111	
Unrestricted	<u>383,989</u>	<u>(65,998)</u>
 Total Net Assets	 <u>\$ 4,425,212</u>	 <u>\$ (62,381)</u>

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

Statement of Activities Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues			Net(Expenses) Revenue & Changes in Net Assets	
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Governmental Activities	Component Unit
Primary Government						
Legislative	\$ 24,062	\$	\$	\$	\$ (24,062)	\$
General Government	234,779	17,808	7,355		(209,616)	
Public Safety	119,079	19,272	1,099		(98,708)	
Public Works	130,895	71,139	4,614	11,762	(43,380)	
Recreation	55,210	51,935	23,654		20,379	
Community/Historical	370,350	15,294	94,834	427,747	167,525	
Other	97,625				(97,625)	
Interest on Long-term Debt	29,320				(29,320)	
Total Primary/Governmental Activ.	1,061,320	175,448	131,556	439,509	(314,807)	
Component Unit						
Downtown Dev. Authority	\$ 14,757	\$	\$	\$		(14,757)
General Revenue						
Property taxes					306,754	49,245
State-shared revenue					265,617	
Unrestricted investment earnings					10,164	1,416
Transfers with component unit					4,200	(4,200)
Loss on sale of assets					(91,884)	
Total General Revenue and loss on sale of assets					494,851	46,461
Changes in Net Assets					180,044	31,704
Net Assets – Beginning, as adjusted					4,245,168	(94,085)
Net Assets - Ending					\$ 4,425,212	\$ (62,381)

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

Governmental Funds Balance Sheet December 31, 2007

	General Fund	Community Center Fund	Grants Fund	Housing Grants Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 141,973	\$ 62,825	\$ 65,927	\$ 7,121	\$ 143,602	\$ 421,448
Receivables (net):						
Taxes	90,765	70,103			120,443	281,311
Accounts/Interest	12,094	14,229			29,305	55,628
Due from local gov't	3,700					3,700
Due from state gov't	44,848					44,848
Due from federal gov't			11,762	58,365		70,127
Due from other funds	12,791		10,134	1,830	9,584	34,339
Prepaid expenses			12,600			12,600
Total Assets	<u>\$ 306,171</u>	<u>\$ 147,157</u>	<u>\$ 100,423</u>	<u>\$ 67,316</u>	<u>\$ 302,934</u>	<u>\$ 924,001</u>
LIABILITIES						
Accounts payable	\$ 13,286	\$ 7,931	\$ 17,823	\$ 38,072	\$ 8,839	\$ 85,951
Accrued expenses	577	393				970
Deposit payable			50,000			50,000
Due to other funds	21,548		12,600	91	100	34,339
Due to other gov'ts	24,267					24,267
Deferred revenues	<u>93,413</u>	<u>71,611</u>	<u>20,000</u>	<u>29,153</u>	<u>135,277</u>	<u>349,454</u>
Total Liabilities	<u>153,091</u>	<u>79,935</u>	<u>100,423</u>	<u>67,316</u>	<u>144,216</u>	<u>544,981</u>
FUND BALANCES						
Res. for capital projects					763	763
Res. for hist./comm. proj.	2,632				8,479	11,111
Reserve for debt service					6,475	6,475
Unreserved	145,448	67,222				212,670
Unres.-nonmajor funds						
Special revenue funds					142,976	142,976
Debt service fund					25	25
Designated for CFR fees	<u>5,000</u>					<u>5,000</u>
Total Fund Balance	<u>153,080</u>	<u>67,222</u>			<u>158,718</u>	379,020
Total Liabilities & Fund Balances	<u>\$ 306,171</u>	<u>\$ 147,157</u>	<u>\$ 100,423</u>	<u>\$ 67,316</u>	<u>\$ 302,934</u>	

Reconciliation to Statement of Net Assets:

Amounts reported for governmental activities in the statement of net assets
are different because:

(Continued)

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

Governmental Funds Balance Sheet December 31, 2007

<u>General Fund</u>	<u>Community Center Fund</u>	<u>Grants Fund</u>	<u>Housing Grants Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Capital assets used in governmental activities are not financial resources and are not reported in the funds:					
Cost of capital assets					5,541,108
Accumulated depreciation					(1,210,239)
Taxes receivable not available to pay for current expenditures					287,308
Long-term liabilities are not due and payable in the current period and are not reported in the funds					(607,867)
Accrued interest payable is not included as a liability in governmental activities					(4,141)
Bond related costs, net of amortization are capitalized in the government-wide financial statements					9,941
For debt refundings, the difference between the acquisition price and the net carrying amount of the debt has been deferred and amortized in the government-wide financial statements					30,082
Net Assets of Governmental Activities					<u><u>\$ 4,425,212</u></u>

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN
Governmental Funds Statement of Revenue, Expenditures, and
Changes in Fund Balance
Year Ended December 31, 2007

	<u>General Fund</u>	<u>Community Center Fund</u>	<u>Grants Fund</u>	<u>Housing Grants Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes	\$ 109,071	\$ 68,142	\$	\$	\$ 48,059	\$ 225,272
Licenses and permits	1,108					1,108
Federal aid			11,762	286,097		297,859
State aid	270,071				3,499	273,570
Charges for services	47,138				70,568	117,706
Interest and rents	31,950	26,534		4	5,049	63,537
Other	<u>288,676</u>	<u>18,007</u>		<u>3,622</u>	<u>91,209</u>	<u>401,514</u>
Total Revenues	<u>748,014</u>	<u>112,683</u>	<u>11,762</u>	<u>289,723</u>	<u>218,384</u>	<u>1,380,566</u>
Expenditures						
Legislative	24,062					24,062
General government	131,272	4,697	13,570	52,705	11,567	213,811
Public safety	67,828					67,828
Public works	89,111				19,639	108,750
Recreation	30,892					30,892
Community/Historical	10,485	56,077		222,850	43,682	333,094
Other	97,625					97,625
Capital outlay	165,374	17,952	23,842	14,168	79,567	300,903
Debt service	<u>18,867</u>				<u>78,702</u>	<u>97,569</u>
Total Expenditures	<u>635,516</u>	<u>78,726</u>	<u>37,412</u>	<u>289,723</u>	<u>233,157</u>	<u>1,274,534</u>
Excess of Rev. over (under)						
Expenditures	<u>112,498</u>	<u>33,957</u>	<u>(25,650)</u>		<u>(14,773)</u>	<u>106,032</u>
Other Fin. Sources (Uses):						
Operating transfers in	21,000		25,650		23,692	70,342
Operating transfers out	(45,289)	(4,053)			(16,800)	(66,142)
Loan proceeds	<u>7,657</u>				<u>73,000</u>	<u>80,657</u>
Total	<u>(16,632)</u>	<u>(4,053)</u>	<u>25,650</u>		<u>79,892</u>	<u>84,857</u>
Net Change in Fund Bal.	95,866	29,904			65,119	190,889
Fund Balance—Beg., as adj.	<u>57,214</u>	<u>37,318</u>			<u>93,599</u>	
Fund Balance – End.	<u>\$ 153,080</u>	<u>\$ 67,222</u>	<u>\$</u>	<u>\$</u>	<u>\$ 158,718</u>	

(Continued)

Reconciliation to the Statement of Activities:

CHARTER TOWNSHIP OF CALUMET, MICHIGAN
Governmental Funds Statement of Revenue, Expenditures, and
Changes in Fund Balance
Year Ended December 31, 2007

<u>General Fund</u>	<u>Community Center Fund</u>	<u>Grants Fund</u>	<u>Housing Grants Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	300,903
Depreciation expense	(155,938)

Property tax revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds	81,482
---	--------

Accrued interest is recorded in the statement of activities when incurred, it is not reported in governmental funds until paid	362
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Repayment of principal debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt liabilities)	73,331
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The government-wide financial statements present the unamortized amount of bond issuance cost as an asset net of amortization. The government-wide financial statement presents the unamortized deferred refunding amount net of long-term debt. This amount represents the current year amortization of these long-term debt related costs.	(5,444)
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Current year loan proceeds are other financing sources in the fund financial statements, but are shown as an increase in liabilities of the government-wide financial statements	(80,657)
--	----------

In the statement of activities, the loss on the sale of capital assets is recognized. The fund financial statements recognize only the proceeds from these assets:

Loss on sale of assets	(91,884)
Proceeds from sale of assets	(133,000)

Changes in Net Assets of Governmental Activities	\$ 180,044
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The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

**Fiduciary Fund Statement of Net Assets
December 31, 2007**

	Agency Fund Type (Property Tax Collection Fund)
ASSETS	
Cash	\$ 141,345 =====
LIABILITIES	
Due to other governmental units & taxpayers	\$ 141,345 =====

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

Notes to Financial Statements

December 31, 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. Reporting Entity

The Township was organized as a General Law Township on the 27th day of November, 1866, and has since been incorporated into a Charter Township, effective July 15, 1985. The Township covers an area of approximately 31 square miles and operates under an elected Board of Trustees consisting of seven members, which are a supervisor, clerk, treasurer and four trustees. The Township provides various services to many of its residents including law enforcement, fire protection, recreation and community enrichment.

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see the discussion below for a description).

Discretely Presented Component Unit

In accordance with provisions of GASB Statement No. 14 "The Financial Reporting Entity", these financial statements present the Township (primary government) and its component unit. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

The component unit column in the government-wide financial statements includes the financial data of the Downtown Development Authority (DDA) established in 1995 by the Township under provisions of Act 197, P.A. of 1975 as amended (MCL 125.1651). It is governed by a nine member board appointed by the Township's governing board. In addition, the Authority's budget is subject to approval by the Township Board. The DDA adopted a development and tax

increment financing plan in 1996 to provide tax increment revenues to pay the principal and interest on bonds issued by the Township for improvements within the DDA District. Additional financial details of the component unit can be obtained from the Township office.

Jointly Governed Organization

The Township, in conjunction with three other governmental entities, created the North Houghton County Water & Sewage Authority (NHCW&SA) to provide waste water collection, transmission and treatment. The NHCW&SA's board is comprised of seven members, three of which are from the Township. The Authority's board has control over its own budgeting and financing obligations. All of the financial operations of the Authority are recorded in the records of the Authority.

It is expected that the revenues generated from NHCW&SA system users will be adequate to operate the sewage system and pay back the related construction debt and interest of NHCW&SA. Separately issued financial statements are available from the Authority.

B. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds.

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary (when applicable) and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Township or meets certain criteria.

The following Major funds are reported by the Township:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the primary operating fund of the Township and is always classified as a major fund. It is used to account for all activities except those legally and administratively required to be accounted for in other funds.

Community Center Fund – This fund accounts for the operations of the Calumet Armory Community Center and derives its revenue from a 1 mill property tax assessment.

Grants Fund – This fund accounts for non-housing type federal, state, local and private grant programs not reported in proprietary funds. Major grants include Community Development Block Grants and Rural Development grants and loans.

Housing Grants Fund – This fund accounts for community housing grant programs and includes Community Development Block Grants.

PROPRIETARY FUNDS

The Township does not currently maintain any proprietary/enterprise type funds as it had in prior years.

The Township also reports the following fund type:

Fiduciary/Agency Funds – This fund type is used to account for assets held by the Township in a trustee or agency capacity for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. This fund type includes the Property Tax Collection Fund.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Both governmental and business-type activities (when applicable) in the government-wide financial statements and the proprietary (when applicable) and fiduciary fund financial

statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

In accordance with Charter Township statutes, the Township's 2007 ad valorem tax is levied and collectible on December 1, 2007 however, the revenue from this tax levy is recognized as revenue in the subsequent year, in the governmental funds financial statements.

D. Financial Statement Amounts

Cash and Cash Equivalents

Cash is considered to be cash on hand, cash in checking and savings accounts, and cash demand deposits. Cash equivalents are short-term investments with a maturity of three months or less when acquired. As of the current year end, the Township does not have any cash equivalents.

Capital Assets

Capital assets include land and improvements, buildings, furniture, equipment and vehicles and are reported in the applicable governmental or business-type activities (when applicable) column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the estimated useful lives of 5 to 50 years.

Long-Term Debt, Deferred Debt Expense and Bond Discounts/Premiums

In the government-wide, proprietary (when applicable), and component unit financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Fund Equity

The governmental fund financial statements report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Revenues

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on February 14th of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the Township totaled \$68,445,099 on which ad valorem taxes levied consisted of 1.2637 mills for Township operating purposes and extra voted millage of .9720 mills for the Calumet Armory Community Center used for operations maintenance and repairs of the facility. In addition, extra voted millage consisting of 1.3377 mills for repair, maintenance and replacement of fire department vehicles and equipment and 1.4863 mills for road repair and improvements in the unincorporated areas of the Township were levied based on a taxable valuation of \$45,844,023.

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary (when applicable) funds are netted as part of the reconciliation to the government-wide financial statements. Any residual balances outstanding between the governmental activities and the business-type activities (when applicable) or discretely presented component units are reported in the government-wide financial statements as "internal balances."

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual results could differ from those estimated.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the debt service and special revenue grant funds and capital project funds which adopt project-length budgets. The legal level of budgetary control adopted by the governing body is the activity level. Appropriations lapse at year end.

Excess of Expenditures over Appropriations in Budgeted Funds – During the year the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund		
Legislative	\$ 23,000	\$ 24,062
General government	130,200	131,272
Public works	88,000	89,111
Community/Historical	7,500	10,485
Debt service	16,923	18,867
Transfers to other funds	28,150	45,289
Community Center Fund		
Capital outlay	9,215	17,952
Fire Fund		
Capital outlay		1,627
Keweenaw Heritage Center Fund		
Capital outlay	6,065	7,003
Water Fund		
General government	674	8,313

(3) DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated four local banks for the deposit of Township funds. The Township's deposits and investments follow the policy adopted by the board and are in accordance with statutory authority.

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Cash (checking and savings accounts)	\$ 421,448	\$ 141,345	\$ 562,793	\$ 40,969

Custodial Credit Risk – Deposits – In the case of cash deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2007, \$257,159 of the Township's primary government bank balance of \$575,022 was exposed to custodial credit risk because it was uninsured and uncollateralized, while none of the component unit's bank balance of \$41,238 was exposed.

(4) CAPITAL ASSETS

Capital asset activity of the primary government for the current year is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 1,254,077	\$ 176,010	\$ (423)	\$ 1,429,664
Capital Assets Being Depreciated				
Land improvements	254,324	75,423		329,747
Buildings and improvements	2,250,986	17,561		2,268,547
Office furniture & equipment	49,700	26,172		75,872
Equipment & Vehicles	<u>1,689,540</u>	<u>5,738</u>	<u>(258,000)</u>	<u>1,437,278</u>
Subtotal	<u>4,244,550</u>	<u>124,894</u>	<u>(258,000)</u>	<u>4,111,444</u>
Accumulated depreciation for:				
Land improvements	(56,389)	(14,676)		(71,065)
Buildings	(375,567)	(47,955)		(423,522)
Office furniture & equipment	(36,410)	(4,517)		(40,927)
Equipment & vehicles	<u>(619,474)</u>	<u>(88,790)</u>	<u>33,539</u>	<u>(674,725)</u>
Subtotal	<u>(1,087,840)</u>	<u>(155,938)</u>	<u>33,539</u>	<u>(1,210,239)</u>
Net Capital Assets Being Depreciated	<u>3,156,710</u>	<u>(31,044)</u>	<u>(224,461)</u>	<u>2,901,205</u>
Governmental Activities				
Capital Assets, net of depreciation	<u>\$ 4,410,787</u>	<u>\$ 144,966</u>	<u>\$(224,884)</u>	<u>\$ 4,330,869</u>

Depreciation expense is charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 20,968
Public Safety	51,251
Public Works	22,145
Recreation	24,318
Community/Historical	<u>37,256</u>
Total Governmental Activities	<u>\$ 155,938</u>

On August 2, 2007 the Township received a donation of 120 acres of land from the North Houghton County Water and Sewage Authority with a value of \$128,000.

(5) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances and transfers are as follows:

Interfund Balances

<u>Receivable</u>	<u>Payable</u>	
General Fund	Grants Fund	\$ 12,600
	Housing Grants Fund	91
	Storm Sewer Fund	<u>100</u>
		12,791
Grants Fund	General Fund	10,134
Housing Grants Fund	General Fund	1,830
Water Fund	General Fund	<u>9,584</u>
Total Primary Government		<u>\$ 34,339</u>

Interfund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	
General Fund	Fire Fund	\$ 16,800
	Component Unit	<u>4,200</u>
		21,000
Grants Fund	General Fund	25,650

Road Millage Fund	General Fund	19,639
Community Center Gen'l Obligation Debt Serv. Fund	Community Center Fund	<u>4,053</u>
Total Primary Government		<u>\$ 70,342</u>

(6) LONG-TERM DEBT

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds, contractual agreements, loans and installment purchase agreements are direct obligations and are backed by the full faith and credit of the Township. Revenue bonds typically involve a pledge of specific income derived from the acquired or constructed assets to pay for debt service.

Long-term debt activity is summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
Loans						
Rural Dev.-Fire Truck	4.625 %	N/A	\$ 10,853	\$ (10,853)	\$	\$
Installment Purchase Agreement						
Bank- Groomer	5.35	12-1-2011	41,267	(8,583)	32,684	8,583
Finance Co- Pickup Truck	9.8	12-25-2010	16,039	(3,550)	12,489	3,915
Computer software	N/A	1-15-2008	3,890	(1,945)	1,945	1,945
Bank- copier	5.4	4-2-2012		7,657 (908)	6,749	1,425
Bonds						
2004 Refunding Revenue Bonds	3.46	11-1-2015	454,500	(46,500)	408,000	50,000
<u>Rural Dev. Genl Oblig. Bonds:</u>						
2005 Comm. Center	4.125	08-01-2035	74,000	(1,000)	73,000	1,000
2007 Storm Sewer	4.125	11-01-2047		<u>73,000</u>	<u>73,000</u>	<u>4,000</u>
Subtotal			600,549	7,318	607,867	70,868
Less Deferred Refunding, net of Amortization			<u>(34,173)</u>	<u>4,091</u>	<u>(30,082)</u>	
Total Governmental Activities			<u>\$ 566,376</u>	<u>\$ 11,409</u>	<u>\$ 577,785</u>	<u>\$ 70,868</u>
Component Unit						
Bonds						
1996 DDA Bonds	5.4 %	10-1-2011	\$ 85,000	\$ (15,000)	\$ 70,000	\$ 15,000
1997 DDA Bonds	4.95	4-1-2012	35,000	(5,000)	30,000	5,000
2000 DDA Bonds	6.25	4-1-2010	<u>26,000</u>	<u>(6,000)</u>	<u>20,000</u>	<u>6,000</u>
Total Component Unit			<u>\$ 146,000</u>	<u>\$ (26,000)</u>	<u>\$ 120,000</u>	<u>\$ 26,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End</u> <u>December 31</u>	<u>Governmental Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 70,868	\$ 37,535	\$ 26,000	\$ 6,708
2009	65,403	35,421	28,000	5,145
2010	66,428	32,731	33,000	3,505
2011	65,610	30,153	26,000	1,764
2012	57,558	27,615	7,000	191
2013-2017	207,000	107,370		
2018-2022	31,000	55,346		
2023-2027	15,000	7,837		
2028-2032	17,000	4,703		
2033-2037	<u>12,000</u>	<u>990</u>		
Totals	<u>\$ 607,867</u>	<u>\$ 339,701</u>	<u>\$ 120,000</u>	<u>\$ 17,313</u>

The above amounts include \$73,000 of Rural Development loaned general obligation bonds, for a 2007 storm sewer project, issued and outstanding as of 12-31-07. When the project is complete the total loan/bonds issued will equal \$440,000.

(7) FUND BALANCE

The beginning fund balance of the General Fund was decreased by \$1,385 to correct a prior year liability for \$8,198 and a transfer in of \$9,584. The beginning fund balance of the Water Fund was increased for the same \$9,584.

(8) EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Township provides pension benefits to all eligible employees through a defined contribution plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions. Under the plan, an eligible employee includes elected officials. Contributions made by an employee or the Township vest 100% immediately. An employee that leaves the employment of the Township is entitled to his or her contributions and the Township's contributions in the form of a retirement benefit. The Township contributes 8 % of annual compensation with a minimum of \$300. Eligible employees can voluntarily contribute from 1% up to 92% of their compensation.

The Township's total payroll during the current year was \$167,767. The current year contribution was calculated based on covered payroll of \$92,821, resulting in an employer contribution of \$8,090. There were no voluntary employee contributions for 2007.

(9) RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance through the Michigan Township's Participating Plan for various claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

(10) SUBSEQUENT EVENTS

In 2008, the Township sold property at the Centennial No. 6 Mine location for \$149,000.

A storm sewer project begun during 2007, totaling \$776,000, is scheduled for completion in 2008. Costs of approximately \$703,000 are yet to be incurred. Funding comes from a \$336,000 Community Development Block Grant and \$440,000 of general obligation bonds issued through Rural Development.

Ice arena improvements under contract at the Community Center for work to be completed in 2008 include the purchase and installation of a dehumidifier for an estimated total cost of \$40,000 and repainting of the exposed steel beams for approximately \$16,000. The local hockey association is expected to share in one-half of these costs.

(11) COMMITMENTS AND CONTINGENCIES

The Township receives Federal, State, and Private Grants for specific purposes that are subject to review and audit. Such audits could result in a request for reimbursement by the granting agencies for expenditures disallowed under the terms and conditions of the grant. Expenditure amounts which may be disallowed by the grantor are unknown at this time, although the Township expects such amounts, if any, to be immaterial.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

Budgetary Comparison Schedule

General Fund

Year Ended December 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Beginning of Year Fund Balance, as adjusted	\$ 57,214	\$ 57,214	\$ 57,214	\$
Resources (Inflows)				
Taxes	103,000	105,000	109,071	4,071
License & permits	1,075	1,110	1,108	(2)
State aid	274,100	263,994	270,071	6,077
Charges for services	58,000	59,000	47,138	(11,862)
Interest and rents	27,000	32,000	31,950	(50)
Other revenue	4,000	410,101	288,676	(121,425)
Loan proceeds			7,657	7,657
Transfers from other funds	<u>19,200</u>	<u>21,000</u>	<u>21,000</u>	
Amounts Available for Appropriation	<u>543,589</u>	<u>949,419</u>	<u>833,885</u>	<u>(115,534)</u>
Charges to Appropriation (Outflows)				
Legislative	21,900	23,000	24,062	(1,062)
General Government	130,715	130,200	131,272	(1,072)
Public Safety	76,250	82,000	67,828	14,172
Public Works	88,000	88,000	89,111	(1,111)
Recreation	31,000	39,000	30,892	8,108
Community/Historical	8,300	7,500	10,485	(2,985)
Other	102,760	189,982	97,625	92,357
Capital outlay	10,450	287,450	165,374	122,076
Debt service	17,000	16,923	18,867	(1,944)
Transfers to other funds		<u>28,150</u>	<u>45,289</u>	<u>(17,139)</u>
Total Charges to Appropriations	<u>486,375</u>	<u>892,205</u>	<u>680,805</u>	<u>211,400</u>
Budgetary Fund Balance – December 31, 2007	<u>\$ 57,214</u>	<u>\$ 57,214</u>	<u>\$ 153,080</u>	<u>\$ 95,866</u>

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

Budgetary Comparison Schedule Community Center Fund Year Ended December 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Beginning of Year Fund Balance (Deficit)	\$ 37,318	\$ 37,318	\$ 37,318	\$
Resources (Inflows)				
Taxes	65,240	69,000	68,142	(858)
Interest and rents	30,000	28,500	26,534	(1,966)
Other revenue	<u>25,000</u>	<u>18,000</u>	<u>18,007</u>	<u>7</u>
Amounts Available for Appropriation	<u>157,558</u>	<u>152,818</u>	<u>150,001</u>	<u>(2,817)</u>
Charges to Appropriation (Outflows)				
General Government	3,600	4,700	4,697	3
Community	63,000	60,100	56,077	4,023
Capital outlay		9,215	17,952	(8,737)
Transfers to other funds	<u>5,000</u>	<u>4,053</u>	<u>4,053</u>	<u></u>
Total Charges to Appropriations	<u>71,600</u>	<u>78,068</u>	<u>82,779</u>	<u>(4,711)</u>
Budgetary Fund Balance – December 31, 2007	<u>\$ 85,958</u>	<u>\$ 74,750</u>	<u>\$ 67,222</u>	<u>\$ (7,528)</u>

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

Combining Balance Sheet Non-Major Governmental Funds December 31, 2007

	Special Revenue Funds				Storm Sewer Capital Proj.	Comm. Center Gen'l Oblig. Debt Service	Total Non-Major Governmental Funds
	Fire Fund	Keweenaw Heritage Center Fund	Water Fund	Road Millage Fund	Fund	Fund	Funds
ASSETS							
Cash	\$ 32,062	\$ 70,206	\$ 39,179	\$ 1,267	\$ 863	\$ 25	\$ 143,602
Receivables (net):							
Taxes	53,691			66,752			120,443
Accounts/Interest		10,100	19,205				29,305
Due from other funds			9,584				9,584
Total assets	<u>\$ 85,753</u>	<u>\$ 80,306</u>	<u>\$ 67,968</u>	<u>\$ 68,019</u>	<u>\$ 863</u>	<u>\$ 25</u>	<u>\$ 302,934</u>
LIABILITIES							
Accounts payable	\$	\$ 6,791	\$ 2,048	\$	\$	\$	\$ 8,839
Due to other funds					100		100
Deferred revenue	<u>54,831</u>	<u>12,427</u>		<u>68,019</u>			<u>135,277</u>
Total liabilities	<u>54,831</u>	<u>19,218</u>	<u>2,048</u>	<u>68,019</u>	<u>100</u>		<u>144,216</u>
FUND BALANCES							
Reserved for capital projects					763		763
Reserved for hist./comm.. projects		8,479					8,479
Reserved for debt service			6,475			25	6,500
Unreserved	<u>30,922</u>	<u>52,609</u>	<u>59,445</u>				<u>142,976</u>
Total fund balances	<u>30,922</u>	<u>61,088</u>	<u>65,920</u>		<u>763</u>	<u>25</u>	<u>158,718</u>
Total liabilities and fund balances	<u>\$ 85,753</u>	<u>\$ 80,306</u>	<u>\$ 67,968</u>	<u>\$ 68,019</u>	<u>\$ 863</u>	<u>\$ 25</u>	<u>\$ 302,934</u>

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non-Major Governmental Funds For the Year Ended December 31, 2007

	Special Revenue Funds			Road	Storm	Comm. Center	Total
	Fire Fund	Keweenaw Heritage Center Fund	Water Fund	Millage Fund	Sewer Capital Proj. Fund	Gen'l Oblig. Debt Service Fund	Non-Major Governmental Funds
Revenues							
Taxes	\$ 48,059	\$	\$	\$	\$	\$	\$ 48,059
State aid		3,499					3,499
Charges for services			70,568				70,568
Interest and rents	1,099	2,535	1,415				5,049
Other		91,209					91,209
Total revenues	<u>49,158</u>	<u>97,243</u>	<u>71,983</u>				<u>218,384</u>
Expenditures							
General government		1,954	8,313		1,300		11,567
Public works				19,639			19,639
Community/Historical		43,682					43,682
Capital outlay	1,627	7,003			70,937		79,567
Debt service	10,741		63,908			4,053	78,702
Total expenditures	<u>12,368</u>	<u>52,639</u>	<u>72,221</u>	<u>19,639</u>	<u>72,237</u>	<u>4,053</u>	<u>233,157</u>
Excess of revenues over (under) expenditures	<u>36,790</u>	<u>44,604</u>	<u>(238)</u>	<u>(19,639)</u>	<u>(72,237)</u>	<u>(4,053)</u>	<u>(14,773)</u>
Other financing sources (uses)							
Operating transfers in				19,639		4,053	23,692
Operating transfers out	(16,800)						(16,800)
Loan Proceeds					73,000		73,000
Total	<u>(16,800)</u>			<u>19,639</u>	<u>73,000</u>	<u>4,053</u>	<u>79,892</u>
Net Change in Fund Balances	19,990	44,604	(238)		763		65,119
Fund Balances – Beginning of Year, as adj.	<u>10,932</u>	<u>16,484</u>	<u>66,158</u>			<u>25</u>	<u>93,599</u>
Fund Balances - End of Year	<u>\$ 30,922</u>	<u>\$ 61,088</u>	<u>\$ 65,920</u>	<u>\$</u>	<u>\$ 763</u>	<u>\$ 25</u>	<u>\$ 158,718</u>

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board Members
Charter Township of Calumet, Michigan

I have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Calumet, Michigan as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements and have issued my report thereon dated July 11, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and standards prescribed by the state treasurer.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Charter Township of Calumet, Michigan's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Charter Township of Calumet, Michigan's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

I consider the deficiencies described in the accompanying schedule of findings and responses as items 2007-1 and 2007-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that neither of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Calumet, Michigan's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of the Charter Township of Calumet, Michigan, in a separate letter dated July 11, 2008.

The Charter Township of Calumet, Michigan's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit the Township's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the board membership, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Paul R. Sturos, CPA
Calumet, Michigan
July 11, 2008

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2007

Finding 2006-1 Internal Control Design

Condition: This finding was a significant deficiency stating an absence of appropriate segregation of duties due to a limited number of available personnel.

Recommendation: The auditor recommended that, due to the unlikely event that the Township would hire additional personnel in order to obtain a proper segregation of duties, the Township Board should remain involved in the financial affairs of the Township to provide oversight and independent review functions.

Current Status: Additional personnel have not been hired. However, the Township Board has provided oversight functions.

Finding 2006-2 Financial Statements

Condition: This finding was a significant deficiency stating that Township personnel are currently unable to completely understand and prepare GASB 34 conversion entries.

Recommendation: The auditor recommended that, although proper training for personnel in a small government environment is often difficult to achieve, the Township Board needs to be aware of this issue and attempt to provide the necessary training.

Current Status: No further training has occurred.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

SCHEDULE OF FINDINGS AND RESPONSES

Year ended December 31, 2007

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

2007-1 Internal Control Design

Criteria: Management is responsible for protecting the Township's assets. As such, a proper segregation of duties is needed to ensure protection and accurate financial reporting.

Condition: The Township has a limited number of personnel available to provide a proper segregation of duties.

Effect: A lack of a proper segregation of duties increases the risk of intentional or unintentional errors or fraud that could occur and not be detected on a timely basis.

Cause: The size of the Township's staff limits the ability to provide optimum segregation of duties.

Recommendation: Although it is not likely that the Township will hire additional personnel in order to obtain a proper segregation of duties, the Township Board should remain involved by providing oversight and independent review functions.

Response: We concur with the recommendation.

2007-2 Financial Statements

Criteria: A proper understanding of the Township's financial statements including the ability to perform the conversion from fund accounting statements to GASB 34 presentations is important to ensure accurate financial reporting.

Condition: Township personnel are currently unable to completely understand and prepare GASB 34 conversion entries.

Effect: Without a complete understanding of the GASB 34 conversion adjusting process, it is possible that a significant error or omission in the GASB 34 conversion entries could occur and not be detected on a timely basis.

Cause: Multiple duties and limited training of Township personnel has resulted in a lack of understanding of the GASB 34 conversion process.

Recommendation: Proper training for personnel in a small government environment is often difficult to achieve; however, the Township Board needs to be aware of this issue and attempt to provide the necessary training.

Response: We concur with the recommendation.

CHARTER TOWNSHIP OF CALUMET

**Schedule of MSHDA - Funded Grants
For the Year Ended December 31, 2007**

<u>Grant No.</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Matching Funds</u>
MSC- 2005-0725-NPP	\$ 286,097	\$ 289,723	\$ 3,626

PAUL R. STUROS

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July 11, 2008

Board Members

Charter Township of Calumet, Michigan 49913

In planning and performing my audit of the financial statements of the Charter Township of Calumet, Michigan, as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, I considered its internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, I do not express an opinion on the effectiveness of the Township's internal control. Please refer to the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on a Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for references to significant deficiencies.

I noted certain other matters involving the internal control and its operation and other items that came to my attention in the normal conduct of my audit that are presented as follows, to assist in improving accounting procedures and controls:

1. Adoption by the Board of a written conflict of interest policy.
2. Record deeds for all recent land transactions including those with North Houghton County Water & Sewage Authority.
3. Record cash receipts and disbursement activity for the Property Tax Collection Fund in your accounting software.
4. For security reasons, care should be taken when photocopying checks received for deposit so that, the bank account number is at least partially blanked out.
5. Actual activity level expenditures exceeded amounts authorized in the final amended budgets in the Township's General, Community Center, Fire, Keweenaw Heritage Center and Water Funds and are noted as follows:

<u>Fund/Activity</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over Expenditures</u>
General Fund			
Legislative	\$ 23,000	\$ 24,062	\$ (1,062)
General government	130,200	131,272	(1,072)
Public works	88,000	89,111	(1,111)
Community/Historical	7,500	10,485	(2,985)
Debt service	16,923	18,867	(1,944)
Transfers to other funds	28,150	45,289	(17,139)
Community Center Fund			
Capital outlay	9,215	17,952	(8,737)
Fire Fund			
Capital outlay		1,627	(1,627)
Keweenaw Heritage Center Fund			
Capital outlay	6,065	7,003	(938)
Water Fund			
General Government	674	8,313	(7,639)

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. It is recommended that the Township Board fully comply with all provisions of the Act.

This report is intended solely for the information and use of the Board membership, management, and applicable federal and state agencies and if applicable, pass-through entities and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

I appreciate the opportunity to be of service to the Township and would like to thank the Township's personnel for their courtesies and assistance during the audit. If there are any questions about the financial report or the above comments, I will be happy to discuss them with you at your convenience.

Sincerely,



Paul R. Sturos, CPA